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New Mexico Income Tax Energy Rebate Can Now Be Reported On IRS ‘Short Form’

SANTA FE – In order to make it easier for residents of New Mexico to report the “Income Tax Energy Rebate” check amounts on their 2005 federal income tax returns, the Internal Revenue Service today adjusted its tax return procedures to allow the rebate to be reported on the short-form federal tax returns.

Jan Goodwin, secretary of the state Taxation and Revenue Department was pleased with the IRS decision. “New Mexico taxpayers will have an easier time listing their energy tax rebate checks on federal filing forms. The IRS moved quickly to address our concerns.”

Taxpayers who would normally use a short-form IRS Form 1040EZ or Form 1040A may now report the rebate on either of these forms, rather than having to use the long-form IRS Form 1040 solely because of the rebate.

“Although this procedural change comes after many have already filed their tax returns, more than 60 percent of taxpayers still have yet to file,” says IRS spokesman Bill Brunson. “We wanted to do what we could, as soon as it was possible, to make the process easier for those still working on their taxes.”

Under these special procedures, short-form filers should report these rebate payments on the line normally designated for reporting unemployment compensation.

For Form 1040EZ filers, this is line 3.

For Form 1040A filers, this is line 13.

No special identification or notation needs to be written on either form.

Taxpayers who also received unemployment compensation during 2005 should add the amount of the rebate to the amount of unemployment compensation received and then enter the combined amount on the appropriate line of whichever short form is used.

Taxpayers who must file using IRS Form 1040 for other reasons should report the amount of the rebate received as “other income” on line 21.

Taxpayers who would otherwise have filed a short-form 1040EZ or 1040A but instead have already filed the long-form 1040 to report the rebate on line 21 should not re-file on a short form.

These instructions apply to rebate payments only and do not affect how other income is reported.

For federal tax purposes, the income tax energy rebate has previously been determined to be taxable to each recipient.